

## Appendix A: Major Management Challenges and High-Risk Areas

The following table summarizes the major management challenges and high-risk areas facing the Department of Treasury and its bureaus as identified by the sources listed below. Included in the table are actions taken by the respective bureau during FY 2000 to address the particular challenge.

### Sources:

General Accounting Office (GAO): “Major Management Challenges and Program Risks: Department of the Treasury,” GAO-01-254, January 2001.

Office of the Inspector General (OIG): Letter to the Honorable Richard K. Arney from Treasury Inspector General Jeffrey Rush, Jr., December 1, 2000.

Treasury Inspector General for Tax Administration (TIGTA): Letter to the Honorable Richard K. Arney from Treasury Inspector General for Tax Administration David C. Williams, December 1, 2000.

---

Department of the Treasury – FY 2000 Program Performance Report

---

Management Challenge	FY 2000 Actions
<p><b>Information Security (GAO, OIG and TIGTA)</b></p> <p>Treasury needs to improve the security of its information technology to protect information and data from physical and electronic threats.</p>	<p><b>Implementation of Presidential Decision Directive 63:</b> Presidential Decision Directive 63 requires that Federal departments and agencies establish and implement a program to protect their critical infrastructure. Treasury bureaus identified information technology assets relevant to Critical Infrastructure Protection (CIP) during FY 2000. The final report from the National Chief Information Assurance Office to Treasury revealed a total of 40 assets of CIP concern. All of these 40 assets have either been scheduled for or have had a vulnerability assessment completed. In addition, all bureaus have a computer security incident response capability. Four bureaus have a formal capability while the remaining bureaus have informal incident response teams that form for the duration of incident handling. All bureaus receive Federal Critical Infrastructure Reporting Center and National Infrastructure Protection Center alerts and advisories, and apply patches, service packs, and other fixes as applicable.</p> <p><b>U.S. Customs Service continuity of operations and unauthorized Internet access:</b> Customs is currently evaluating commercial disaster recovery sites and plans to have a contract for continuity of operations service let by the end of FY 2001. Customs has implemented CISCO PIX firewalls to secure Internet connections. Customs is pursuing commercial systems options to provide back up capability and is working with the Administration to ensure a stable funding stream. The agency is also updating its Business Impact Analysis. In addition, Customs security efforts have been boosted by the infusion of new leadership, contractor support through the GSA SAFEGUARD program, and a significant increase in resources.</p>
<p><b>Information Technology Investment Management (OIG)</b></p> <p>Improvements are needed in capital planning, investment controls, project management, systems development, and performance measurement of IT investments.</p>	<p><b>Implementing Information Technology Management Reform Act:</b> Treasury's Capital Investment Review Board (CIRB) is giving full-time attention to an expanded selection of enterprise-wide and bureau capital (IT and non-IT) investment projects. Additional structure criteria – selection and monitoring processes, assessment criteria, and a business case template have been added to the review process.</p> <p>Treasury implemented use of the Information Technology Investment Portfolio System (I-TIPS) across the Department and the bureaus as part of their Capital Planning activities. All bureaus used I-TIPS as part of the FY 2002 budget process and was also used it to electronically submit required reports to Office of Management and Budget (OMB). By re-designing its investment management process and aiding that new process with automated tools like I-TIPS, Treasury is achieving the purposes of effective investment management: align investments with the Treasury business missions, develop a repeatable investment management process, and manage initiatives.</p> <p>While the Department did not specify a dollar threshold for investment management activities and documentation, the number of "major" initiatives in the Department significantly increased in FY 2000. "Major" initiatives require expanded documentation and justification via an OMB 300B, as well as expanded selection and monitoring activities by the bureau investment review boards.</p> <p><b>Measuring progress in the management of capital investments:</b> The measure "Percentage of new IT capital investments that are within costs, on schedule, and meeting performance targets" was established in the Departmental Offices FY 2000 Performance Plan. However, while all Treasury bureaus entered FY 2002 IT budget initiative data into I-TIPS, most of the initiatives did not provide cost, schedule and performance data that would enable the Department to determine the percentage of initiatives that are within costs, on schedule and meeting performance targets. As a result, there are not sufficient data to determine this performance measure. As part of the FY02 budget process, bureaus are required to provide this data for new initiatives. As a result, the Department will be able to address this concern in 2001.</p>

---

Department of the Treasury -- FY 2000 Program Performance Report

---

Management Challenge	FY 2000 Actions
<p><b>Money Laundering/Bank Secrecy (OIG)</b></p> <p>Treasury needs to continue to combat money laundering worldwide through enhanced law enforcement, improved banking supervision, and international cooperation.</p>	<p><b>Implementation of the National Money Laundering Strategy:</b> During FY 2000, Treasury contributed directly to the attainment of several prominent goals of the National Money Laundering Strategy (NMLS). Among these, of chief significance was the publication in June by the Financial Action Task Force of a list of 15 jurisdictions with serious deficiencies in their anti-money laundering regimes. Shortly thereafter, Treasury's Financial Crimes Enforcement Network issued advisories to U.S. banks urging additional scrutiny of transactions involving these countries. In support of other important NMLS goals, Treasury's Office of Enforcement moved forward work on rules for suspicious activity reporting for non-depository financial institutions, issued guidance to banks on certain high risk accounts, identified the first four High Intensity Financial Crime Areas, commenced the Financial Crime-Free Communities Support Program, advanced inter-agency efforts against the Black Market Peso Exchange and proposed legislation that would have given the Secretary of the Treasury a wider range of options to take actions against jurisdictions, foreign financial institutions or types of transactions posing particular money laundering threats to the U.S.</p> <p>The Department has determined that the optimum way to measure the cost of money laundering is through a survey of undercover operations. However, such a survey has not yet been feasible because of the nature of such operations and a desire to await findings of Treasury's project to estimate the magnitude of money laundering. The Department, through its Financial Crimes Enforcement Network, awarded a contract in August 2000 to develop a methodology for estimating the magnitude of money laundering. This project is proceeding in two phases: Phase I, estimated to last about nine months, will identify key sources of data, collect and evaluate them, and develop a methodology to estimate the magnitude of money laundering. Phase II, estimated to last another nine months, will test the data quality, sample case files, implement the model and report findings, and include a plan for improving currently reported data.</p>

Management Challenge	FY 2000 Actions
<p><b>Regulation of Commercial Trade and Trade Enforcement (GAO and OIG)</b></p> <p>Effective enforcement of trade laws is an ongoing management challenge. The automated system Customs uses to process merchandise is outdated and unable to keep up with trade demands.</p> <p>Illicit drugs continue to be imported into the United States despite years of concerted effort by the Federal government to prevent smuggling.</p>	<p><b>Implementing the Automated Commercial Environment (ACE):</b> Customs is pursuing commercial systems options to provide back-up capability and is working with the Administration to ensure a stable funding stream. The agency is also updating its Business Impact Analysis. Customs security efforts have been boosted by the infusion of new leadership, contractor support through the GSA SAFEGUARD program, and a significant increase in resources. Steady progress to resolve previously identified audit recommendations continue.</p> <p><b>Evaluating the effectiveness of the informed compliance strategy:</b> Customs is undertaking a review of the agency's trade strategy in an effort to evaluate its impact on compliance. This review will include a number of trade programs such as compliance measurement, account management, and Customs strategic goals. The evaluation is currently still underway.</p> <p><b>Balancing travelers' rights with the need to interdict contraband, including the collection of more accurate data on the results of searches and trends in targeting effectiveness:</b> Customs has dramatically increased the targeting effectiveness of personal search activity by increasing management oversight, emphasizing the collection and use of data, and improving training and standard procedures.</p> <p><b>Implementing the resource allocation model:</b> The Resource Allocation Model was used to determine staffing requirements for FY 2002 to meet increased workload. Requirements were reviewed by Treasury and OMB.</p> <p><b>Improving export licensing procedures :</b> In partnership with the Departments of State and Justice, Customs is working to ensure that export enforcement capabilities are retained in the face of licensing streamlining efforts.</p> <p><b>Implementing the <i>National Drug Control Strategy</i>:</b> To address the National Drug Control Strategy, Customs has undertaken a variety of efforts including using new technology which can scan trucks, containers and air passengers at high risk ports throughout the country; sharing intelligence with other agencies on smuggling methods; and participating in multi-agency interdiction operations.</p> <p><b>Determining the level of illegal drug smuggling, or the percentage of total illegal drugs interdicted:</b> Customs is cooperating with the Office of National Drug Control Policy in their efforts to develop consistent, accurate statistics on drug interdiction.</p>

---

Department of the Treasury -- FY 2000 Program Performance Report

---

Management Challenge	FY 2000 Actions
<p><b>Revenue Protection by ATF and USCS (OIG)</b></p> <p>Stronger internal controls and systems improvements are needed at both ATF and USCS to increase revenue collected.</p>	<p><b>Improving revenue protection:</b> The results of OIG's audit on ATF's controls over tax-free exports of distilled spirits found that controls could be improved by: 1) more thoroughly reviewing export evidence to support claims; 2) updating ATF export regulations to ensure distilleries submit proper evidence; and 3) conducting third party verifications of shipments. Controls relating to reviewing evidence and conducting third party verifications have been implemented. ATF is in the process of rewriting the exportation regulations with a target date of February 2002.</p> <p>The OIG audit on ATF's inspection strategy for firearms and ammunition found that ATF needed to implement inspection program and track field tax assessments. In FY 2000, ATF implemented an inspection-targeting program that identifies at-risk taxpayers for inspection. ATF is in the process of making computer enhancements that will include tracking field assessments by category. These system enhancements are anticipated to be completed by October 1, 2002. ATF contracted for a study of the system that has been completed and has dedicated \$1.8 million for the next phase of the integration. ATF estimates an additional \$4 million will be needed to complete the integration.</p> <p>Customs has implemented an agency-wide self-inspection program to increase management oversight of internal controls.</p> <p><b>Progress in minimizing non-compliant filings of consumption entries (\$252 million in FY 1999 and an estimated \$280 million in FY 2000):</b> By using risk management techniques and compliance measurement, Customs is concentrating its resources on identifying and combating non-compliant trade.</p>

---

Department of the Treasury – FY 2000 Program Performance Report

---

Management Challenge	FY 2000 Actions
<p><b>Violent Crime/Gun Control (OIG and GAO)</b></p> <p>Violent crime remains a serious problem in the United States, and measuring Treasury's impact remains a challenge.</p>	<p><b>Trends in violent crime:</b> Violent crime, as a whole, has been widely considered to be on a downward trend over the last few years, according to the FBI's Uniform Crime Report. ATF has focused on several areas of crime as they relate to the criminal use of firearms that remain at unacceptable levels.</p> <p><b>Progress / challenges to measuring "criminal access to firearms":</b> The ATF annual publication <u>Crime Gun Trace Reports</u> has taken the analysis of the Bureau's firearms tracing information to a new level, particularly in the cities which participate in the Youth Crime Gun Interdiction Initiative (YCGII), as it provides the most complete picture of the illegal firearms market for that community. ATF was also able to provide in the most recent report, a new look at the local, regional, and national aspects of the geographic source patterns of crime guns.</p> <p>Additionally, with the research led by ATF that was most recently published in <u>Following the Gun: Enforcing Federal Laws Against Firearms Traffickers</u>, ATF has been able to explicitly identify the channels by which firearms are illegally trafficked. This knowledge base will lead to increased competency in ATF's conduct of these investigations.</p> <p><b>Impact of the Youth Crime Gun Interdiction Initiative:</b> In the early stages of the deployment of the YCGII, ATF received a thorough review of this initiative from the Treasury OIG. The recommendations concerning field deployment have resulted in a variety of plans being actively pursued to improve the performance measurement to gauge the success of this Initiative:</p> <p>Use of the YCGII Crime Gun Analysis data to measure changes as they occur in the incidence of possession among these age groups.</p> <p>Use of "time to crime" as a more prominent indicator.</p> <p>Continued active support of relevant research into firearms violence, specifically, an ATF partnership with National Institute of Justice to do a "demonstration project" based in a YCGII city.</p>
<p><b>Implementation of GPRA (OIG)</b></p> <p>Treasury faces a continuing challenge in collecting and managing reliable performance data.</p> <p>In order to accurately report financial data and evaluate program performance, better management of cost accounting is needed.</p>	<p><b>Implementing a Performance Reporting System (PRS) throughout Treasury:</b> Treasury continued to enhance the usefulness and capability of the PRS an intranet based system that allows Treasury's bureaus to keep the Department apprised of their performance. All bureaus are currently using the PRS to enter their annual performance plans and progress made towards achieving their performance targets. The system allows the user to view performance data at a summary level, and to drill down to specific measures and explanations of performance shortfalls. Executive reports/graphics capabilities were significantly enhanced during FY 2000.</p> <p><b>Implementing managerial cost accounting throughout Treasury:</b> The financial reporting committee of the Department's CFO Council was charged with developing a policy for the implementation of cost accounting across the Department. The committee developed a proposal for consideration by the full Council during FY 2000, and the Council requested that the proposal be revised based on Council discussions. Final Council approval of the cost accounting policy is expected early in 2001. The proposal will provide a solid basis for the accumulation of meaningful managerial cost data throughout the Department.</p>

---

Department of the Treasury -- FY 2000 Program Performance Report

---

Management Challenge	FY 2000 Actions
<p><b>Compliance with Federal Financial Management Improvement Act of 1996 (FFMIA) (GAO, OIG, and TIGTA)</b></p> <p>Treasury is not in substantial compliance with the requirements of FFMIA. Financial systems are not adequately integrated to support fiscal management of program delivery as well as budget execution functions and internal and external financial reporting requirements.</p>	<p><b>Improving compliance with FFMIA:</b> Treasury bureaus that are not in substantial compliance with FFMIA have prepared remediation plans in accordance with the Act. The Department issued guidance to the bureaus on defining the roles and responsibilities in complying with the requirements of the Act. The Department met with OMB to review FFMIA issues, including obtaining waivers for the Customs Service and the Internal Revenue Service from the requirement to correct the non-compliances within 3 years of determination. All bureaus that are in substantial non-compliance are providing quarterly updates to their remediation plans.</p> <p><b>Customs:</b> Customs is in the process of creating a fully integrated core financial system to address FFMIA concerns. Actual implementation will be dependent on the schedule of the Automated Commercial Environment. Customs is also working to ensure that systems development and security reflect current government-wide systems requirements.</p> <p><b>IRS:</b> IRS did not directly address FFMIA. IRS addressed financial management as their "Modernization Issue C: "Correct ongoing financial management weaknesses." During FY 2000, actions included:</p> <ul style="list-style-type: none"> <li>• Conducting on-site inspection and verification of ADP inventory;</li> <li>• Training local office staffs to ensure accuracy of property and equipment records;</li> <li>• Replacing current ADP property inventory system with modernized version; and,</li> <li>• Installing an integrated financial system that will include recording property and equipment and capital leases as assets when purchased, will generate records for tracking inventory, will include appropriate subsidiary records and will support cost accounting.</li> </ul> <p><b>Secret Service:</b> Secret Service's Seized Asset System does not conform to FFMIA requirements. In addition, the Property Accounting System contains a material weakness related to Section 2 (Internal Control) of FFMIA.</p> <p>The Secret Service continues to make progress towards the completion of the corrective actions necessary to ensure compliance. Validation of the corrective actions that have been accomplished for the Seized Asset System is ongoing and expected to be completed by June 30, 2001. The reorganization and training of personnel to research and reconcile property accounting system transactions to the general ledger is scheduled for completion by the end of March 2001 with a validation scheduled to be completed by June 30, 2001.</p>
<p><b>Safety and Soundness of the Banking Industry (OIG)</b></p> <p>In fulfilling its regulator role, OCC needs to monitor developments in the National Banking System, analyze trends, and assess systemic risks to identify events that could affect the soundness of the system</p>	<p><b>Improving the safety and soundness of the banking industry:</b> The core process program at OCC to address systemic risks and marketplace trends consists of ongoing activities that identify, analyze and respond to emerging systemic risks and market trends that could impact the safety and soundness of national banks; the national banking system or groups of national banks; the financial services industry; or the economic and regulatory environment in which banks operate.</p> <p>During 2000 OCC produced annual underwriting survey analysis that identified asset quality deterioration, piloted the "early warning system" for bank failure potential, and made early warning reports for liquidity, IRR and credit available to examiners via the web to facilitate more rapid response.</p>

Management Challenge	FY 2000 Actions
<p><b>Internal Revenue Service Modernization (GAO and TIGTA)</b></p> <p><b>Issue: The Internal Revenue Service's operations are facing various issues and challenges in transitioning to its new structure.</b></p> <p>IRS has developed and is committed to an integrated modernization strategy. It has implemented a new organizational structure and has made progress in establishing management controls needed to effectively build and implement modern information systems. Substantial work remains for IRS' modernization before expected results are achieved.</p>	<p>IRS completed key transition activities related to the new organization within IRS including: selection of Division Commissioners for all Divisions; completed vacancy announcement process and selection of key top and mid level managers within each Division; completed formal standup of new Divisions. In addition, among other decisions, IRS continued improvement processes related to the Modernization Management oversight structure, Taxpayer Advocate Service, and IRS's Stakeholder Relationship Management.</p>
<p><b>Internal Revenue Service Modernization (GAO and TIGTA)</b></p> <p><b>Issue: Balanced Measurement System</b></p>	<p>IRS developed a new strategic planning and budget process. This new approach will link strategy, planning, budgeting, and research and support senior management in establishing and communicating the strategic direction of the Service. In addition, IRS:</p> <ul style="list-style-type: none"> <li>• Developed balanced measures and data reporting at the strategic level to be used in assessing the IRS' overall performance in delivering on its mission and strategic goals; (Includes measures such as voluntary compliance, burden, overall productivity, overall customer satisfaction, etc.);</li> <li>• Developed operational level balanced performance measures for all operating and functional divisions; and,</li> <li>• Provided balanced measurement training to all managers, stewards, Partnership Councils, and staff.</li> </ul>



---

Department of the Treasury -- FY 2000 Program Performance Report

---

Management Challenge	FY 2000 Actions
<p><b>Financial Management Affecting Treasury's Role as Fiscal Agent (GAO)</b></p> <p>Improvements are needed in collecting delinquent debt owed to the Government, computer security controls, and preparing reliable U. S. financial statements.</p>	<p><b>Comprehensive review of cross-servicing:</b> The Financial Management Service (FMS) is developing a report to analyze types of debt and collection rates, and has revised standard operating procedures for FMS collectors. In addition, FMS has established procedures for reviewing collectors' work lists and assessing their performance.</p> <p>All Private Collection Agencies activity is monitored frequently, and FMS conducts annual and <i>ad hoc</i> on-site compliance reviews on each contractor. A mechanism for assessing compliance enforcement procedures has been put in place. In addition, FMS reviews cross-servicing costs and fee structures annually.</p> <p><b>Audit guidance and referral monitoring:</b> FMS is preparing a request to OMB asking that OMB work with FMS and the Federal Credit Policy Working Group to develop audit guidance to include Treasury Report on Receivables data, and to work with agency IGs on procedures to monitor debt referrals. Procedures for obtaining, reviewing, and monitoring written referral plans have been established and implemented.</p> <p><b>Distribution of debts to Private Collection Agencies (PCAs):</b> A PCA Conference was held in June 2000, and comments were solicited from PCAs on what changes they wanted in the new PCA contract, including how debts are distributed. FMS has shared feedback from the conference survey results with PCAs, has completed an analysis, and has developed draft requirements for adjusting debt distribution procedures. In addition, a draft Statement of Work for the new PCA contract has been sent to the PCAs for their review, and FMS has added language to the new PCA contract to permit changes to the debt distribution process. And FMS is currently developing a methodology to periodically evaluate the distribution process.</p> <p><b>Computer security/control weaknesses:</b> FMS completed 84 (89%) of the corrective actions identified in GAO's FY 1998 audit. GAO's FY 1999 audit validated the completion of 52 corrective actions (55%) and identified 19 new findings. Compared to 94 new findings in the previous year, this was a significant improvement. FMS also meets monthly with GAO to discuss corrective actions and management of risk.</p> <p>In FY 1999, FMS established remediation plans addressing system weaknesses. FMS is revising and enhancing these plans. In FY 2000, FMS completed their development and issued entity-wide security policies and procedures. Currently, FMS is ensuring their full implementation.</p> <p><b>Improve the quality of the Government's financial statement:</b> A number of initiatives took place during FY 2000:</p> <ul style="list-style-type: none"> <li>• FMS consistently published the Daily Treasury Statement on schedule, meeting its established performance target. This statement reflects the cash transactions, holdings, loans, debts, etc. of the Federal Government.</li> <li>• The Government-wide Accounting (GWA) Project is re-examining FMS' existing processes for collecting budget execution data Government-wide and reporting of the Government's budget surplus/deficit. This long-term project, which is expected to make fundamental changes, will produce more timely, accurate, and reliable financial reports, while at the same time, reduce the reporting and reconciliation burdens on program agencies. Already, short-term enhancements to FMS legacy systems have significantly improved the reliability and timeliness of budget execution data reported to program agencies.</li> </ul>

Management Challenge	FY 2000 Actions
	<ul style="list-style-type: none"><li>• FMS continued to work with Federal agencies to help them adopt uniform accounting and reporting standards and systems.</li><li>• To facilitate preparation of the consolidated Financial Report of the U.S., FMS is working with the Chief Financial Officers' Council to build an Internet tool that will help agencies identify and reconcile differences between Federal Government entities and agencies' adjustments. FMS is also working with OMB to develop additional processes, procedures, and guidelines that will enable program agencies to identify their trading partners and eliminated differences for certain other classes of intergovernmental transactions. These improvements will enable the Government to more accurately determine its net financial position.</li><li>• FMS received an unqualified audit opinion of its statement of the Government's cash position for FY 2000. This is the fourth consecutive year FMS received a "clean opinion."</li><li>• Since 1997, the Bureau of the Public Debt has consistently received unqualified opinions by outside auditors for annual financial statements representing nearly \$6 trillion in Federal Debt, Loans Receivable, Federal Investments and Managed Trust Funds</li></ul>

---

Department of the Treasury -- FY 2000 Program Performance Report

---

Management Challenge	FY 2000 Actions and Related Performance Measures
<p><b>Processing Returns and Implementing Tax Law Changes During the Tax Filing Season (TIGTA)</b></p> <p>Implementation of computer programming changes, reduction of tax form complexity and taxpayer burden, and other related issues remain a challenge for the IRS.</p>	<p>In FY 2000, IRS completed all actions in the Filing Season Readiness 2000 Action Plan. In addition, IRS:</p> <ul style="list-style-type: none"> <li>• Completed all required actions related to Customer Service/Submission Processing reorganization.</li> <li>• Developed and disseminated a Service-wide strategy for handling walk-in taxpayers.</li> <li>• Included two return labels in the 1040 tax packages to identify either remit or non-remit return to help increase check identification, reduce mail sorting at the service centers and improve processing efficiency.</li> <li>• Developed contingency plans for new processes/legislation.</li> <li>• Ensured programming, employee training, internal and external communications, taxpayer guidance/information, and appropriate forms/instructions and publications were completed for new legislative provisions.</li> <li>• Continued to expand and promote the use of the Internet to meet taxpayer needs, supplementing the forms and publications available with timely tax information</li> <li>• Redesigned and simplified Publication 596, Earned Income Credit (EIC), Schedule EIC and EIC-related parts of Form 1040 and 1040 instructions, to reduce the EITC error rate.</li> <li>• Conducted review of new legislation statutory termination dates to determine if provision(s) have been renewed and determined when implementation actions need to be continued.</li> </ul> <p>IRS is still considering ways to best measure taxpayer burden.</p>
<p><b>Providing Quality Customer Service Operations (TIGTA)</b></p> <p>IRS's quality of toll-free service is declining. The challenge to provide quality customer service will continue.</p>	<p>Although the quality of toll-free service declined in FY 2000, the level of service was improved to 62% during the 1999-filing season. To address customer service needs, IRS:</p> <ul style="list-style-type: none"> <li>• Reassigned the Innocent Spouse program to the Wage and Investment Division to increase customer service and efficiency;</li> <li>• Continued providing 7x24, 7 day a week telephone services for 2000 filing season;</li> <li>• Expanded Alternative Language Services identified sites to specialize in providing Spanish language service;</li> <li>• Implemented a network prompt that offers taxpayers a Spanish language option to be routed to the designated site(s);</li> <li>• Provided voice enabling service to provide increased automated service to refund callers through the TELETAX system;;</li> <li>• Customer Account Services group completed a Skills Assessment on current Toll-free/Adjustments workforce to determine skill gaps and develop training plans for planned workload migration;</li> <li>• Improved SERP delivery with added features and improved usability for assistors; and,</li> <li>• Developed new balanced measure for FY 2001 that will determine the contact quality (impact of errors onto the customer).</li> </ul>

---

Department of the Treasury – FY 2000 Program Performance Report

---

Management Challenge	FY 2000 Actions and Related Performance Measures
<p><b>Taxpayer Protection and Rights (TIGTA)</b></p> <p>Compliance with taxpayer rights requirements of the IRS Restructuring and Reform Act of 1998 remains a challenge.</p>	<p>IRS established the new Taxpayer Advocate Service (TAS); hired and provided initial training to the TAS staff; implemented balanced measures of organizational performance; began building collaborative relationships with other newly modernized components of the IRS to provide the best possible customer service to taxpayers. IRS also:</p> <ul style="list-style-type: none"> <li>• Implemented a systemic change to prevent future tax refund offsets from occurring while innocent spouse claims are considered.</li> <li>• Conducted briefings (sponsored by TIGTA) to help address employee concerns regarding investigations related to Section 1203 of RRA 98.</li> <li>• Implemented system block to prevent processing of levy requests when Collection Due Process (CDP) rights have been given.</li> <li>• Included potential third-party notification staffer in Notices of Intent to Levy.</li> <li>• Issued CDP notification on new delinquent account receipts when enforcement action is imminent.</li> <li>• Improved compliance with legal and internal guidelines for notifying taxpayers of their appeal rights before issuing levies.</li> </ul>
<p><b>Implementation of the Government Performance and Results Act of 1993 by IRS (TIGTA)</b></p> <p>IRS needs to improve their performance measures and data quality.</p>	<p>IRS developed new strategic planning and budget processes. Their new approach will link strategy, planning, budgeting, and research and support senior management in establishing and communicating the strategic direction of the Service. IRS also:</p> <ul style="list-style-type: none"> <li>• Developed balanced measures at the strategic level to be used in assessing the IRS' overall performance in delivering on its mission and strategic goals (includes measures such as voluntary compliance, burden, overall productivity, overall customer satisfaction, etc.).</li> <li>• Implemented development of data reporting for the Service-wide Strategic Measures.</li> <li>• Developed operational level balanced performance measures for all operating and functional divisions.</li> <li>• Began alignment of the IRS Performance Management System (Appraisals) for individuals with the IRS Mission, Strategic Goals, and Balanced Measures approach.</li> </ul>
<p><b>Impact of the Global Economy on Tax Administration (TIGTA)</b></p> <p>Internal control and systemic weaknesses in the IRS' Administration of international programs remain a challenge.</p>	<p>IRS directed the U.S. hosting of Center for Inter-American Taxation (CIAT) General Assembly which brought together over 200 Senior Tax Officials from more than 33 Countries (the Treasury Secretary and IRS Commissioner were keynote speakers). In addition:</p> <ul style="list-style-type: none"> <li>• IRS Deputy Commissioner was elected as President of CIAT Executive Council.</li> <li>• IRS initiated and Chaired Organization of Economic Cooperation Development meeting of Senior Tax Officials from 15 countries in Copenhagen to discuss Best Practices relative to the Electronic Filing of Tax Returns.</li> <li>• IRS delivered presentations on the Globalization Strategic Initiative at 19 External Town Hall meetings.</li> <li>• IRS developed OECD website including U.S. funding of Spanish language capability (well regarded by critical Spanish-speaking countries).</li> </ul>

---

Department of the Treasury -- FY 2000 Program Performance Report

---

High-Risk Area	FY 2000 Actions
<p><b>Internal Revenue Service Modernization (GAO and TIGTA)</b></p> <p><b>Issue: Correct ongoing financial management weaknesses</b></p>	<p>As an overall indicator of progress, IRS expects to receive an unqualified audit opinion on its FY 2000 financial statement. In addition, IRS has:</p> <ul style="list-style-type: none"> <li>• Conducted on-site inspection and verification of its ADP inventory.</li> <li>• Reviewed lease documents to correctly present capital lease balances in FY 2000 financial statements.</li> <li>• Deployed teams to train local office staffs to ensure accuracy of property and equipment records.</li> <li>• Staffed local offices to ensure accuracy of property and equipment records.</li> <li>• Replaced its previous ADP property inventory system with a modernized version.</li> <li>• Studied desirability of implementing interim cost accounting system pending acquisition/implementation of replacement financial system.</li> <li>• Acquired/installed an integrated financial system that will include recording property and equipment and capital leases as assets when purchased, will generate records for tracking inventory, will include appropriate subsidiary records and will support cost accounting.</li> </ul>
<p><b>Internal Revenue Service Modernization (GAO and TIGTA)</b></p> <p><b>Issue: Implement effective systems modernization management controls and establish a stable program management organization for the IRS' systems modernization efforts.</b></p>	<p>IRS has built a Business Systems Modernization Program management team that includes three executives with a lifetime of experience in the private sector and key internal executives with many years of experience in tax systems and tax administration. In addition, IRS has:</p> <ul style="list-style-type: none"> <li>• Strengthened the PRIME Alliance program management team by adding a second experienced program manager and a system architect; adopted the proven Catalyst methodology from the PRIME as the basis for all work and conducted intensive training for IRS and PRIME personnel; clarified roles and responsibilities within the Business Systems Modernization Office and the PRIME.</li> <li>• Trained IRS and contractor personnel in performance based contractor methodology and formally completed all active task orders contracts; implemented regular Program Management Reviews to review technical specifications, cost, and schedule for each project</li> <li>• Developed and now maintain an Integrated Master Schedule which identifies how different projects relate to and depend on each other; established a Management Information Center for centralized status reporting for the business systems modernization program; clarified roles and responsibilities for program and project level risk management between the PRIME Alliance and BSMO; established a Quality Assurance organization within BSMO.</li> <li>• Incorporated investment decision into the enterprise life cycle.</li> </ul>

---

Department of the Treasury – FY 2000 Program Performance Report

---

High-Risk Area	FY 2000 Actions
<p><b>Internal Revenue Service Modernization (GAO and TIGTA)</b></p> <p><b>Issue: Improve collection of unpaid taxes</b></p>	<p>IRS established a multi-functional Compliance Council to ensure a strategic, coordinated approach to compliance issues, programs and systems throughout pre-filing, filing, and post-filing efforts; ensuring cross-cutting/national compliance issues are resolved with multiple compliance solutions. IRS also:</p> <ul style="list-style-type: none"> <li>• Completed the redesign and rewrite of the former Collection Internal Revenue Manual for content and delivery for a web-based environment.</li> <li>• Convened a task force to review consolidation of Offer-In-Compromise inventory and specialist positions into two service centers effective 8/01.</li> <li>• Improved compliance with legal and internal guidelines for notifying taxpayers of their appeal rights before issuing levies.</li> </ul>
<p><b>Treasury's asset forfeiture program (GAO)</b></p> <p>The Asset Forfeiture Program faces inadequate information systems and financial management weaknesses, including problems with accountability over seized assets.</p>	<p>Customs is finalizing user requirements and exploring funding options to complete resolution of all recommendations made to improve SEACATS. If funding is available, resolution will be complete in FY 2002.</p>
<p><b>Improving Earned Income Credit Compliance (GAO and TIGTA)</b></p> <p>IRS needs to continue efforts to minimize filing fraud, especially in the Earned Income Credit program.</p>	<p>IRS Initiated a Request for Information Services for Electronic Fraud Detection System (EFDS) that provides for inclusion of selected Business Master File extract-data and integration into the enhanced EFDS system. This data will permit research analysis and evaluation for potential fraud detection scenarios of business returns. IRS also:</p> <ul style="list-style-type: none"> <li>• Enhanced and expanded training of Fraud Detection techniques. Trained the Investigative Analysts in data-driven methods of fraud detection and criminal referral identification. Performed a proof of concept using data mining to test the potential of its use in refund fraud detection.</li> <li>• Partnered with the Department of Health and Human Services and the Social Security Administration to provide a more efficient means of protecting revenue and minimizing filing fraud.</li> <li>• Significantly reduced invalid claims though denial of Earned Income Tax Credit (EITC) claims on initial filing when a taxpayer's EITC claim was denied the previous year and the taxpayer did not follow the re-certification requirements.</li> <li>• Redesigned and simplified Publication 596, Earned Income Credit (EIC), Schedule EIC, and EIC related parts of Form 1040 and 1040 instructions, to reduce the EITC error rate.</li> <li>• Implement the EITC Return Preparer Strategy, focusing on education and outreach visits to EITC return preparers. Included a component covering tax filing noncompliance and fraudulent activity.</li> <li>• Developed and implemented the private sector fraud control requirements for Electronic Filing participants, e.g., Electronic Return Originators, software developers, and transmitters.</li> <li>• Completed scheduled actions identified to reduce issuance of erroneous refunds.</li> <li>• Implemented FY 2000 EITC Return Preparer Strategy, focusing on education and outreach visits. This effort will include a component covering tax filing noncompliance and fraudulent activity.</li> </ul>

## Appendix B: Explanation of Graphs and Data Sources

Fig.	Title	Explanation / Source
1	<b>Federal Debt Held by the Public</b>	<p><b>Explanation:</b> Graph depicts the projected trend in Federal debt at the end of year held by the public.</p> <p><b>Source:</b> 1995 to 1999 data from "Historical Tables", Budget of the United States Government, Fiscal Year 2001, Table 7.1 - Federal Debt at the End of Year 1940-2005, page 111  <a href="http://w3.access.gpo.gov/usbudget/fy2001/pdf/hist.pdf">http://w3.access.gpo.gov/usbudget/fy2001/pdf/hist.pdf</a></p> <p>2000 to 2005 data from Table 23 "Federal Government Financing and Debt" OMB Sequestration Update to the President and Congress for fiscal year 2001.  <a href="http://w3.access.gpo.gov/usbudget/fy2002/pdf/finalseq.pdf">http://w3.access.gpo.gov/usbudget/fy2002/pdf/finalseq.pdf</a></p>
2	<b>Social Security Trust Funds</b>	<p><b>Explanation:</b> Estimated assets of the combined OASI and DI Trust Funds in current dollars (intermediate assumptions). Estimates for later years are not shown because the combined OASI and DI Trust Funds are estimated to become exhausted in 2034 under the intermediate assumptions.</p> <p><b>Source:</b> The 2001 Annual Report of the Board of Trustees of the Federal Old Age and Survivors Insurance and Disability Insurance (OASDI) Trust Funds, Table VI.E.9</p>
3	<b>Personal Saving Rate</b>	<p><b>Explanation:</b> The personal savings rate is measured by the difference between disposable income and consumer outlays, as a percentage of disposable income.</p> <p><b>Source:</b> U.S. Department of the Treasury, Office of Economic Policy</p>
4	<b>U.S. Pension Plan Participation</b>	<p><b>Explanation:</b> Defined benefit plans are traditional employer provided pension plans. In defined contribution plans employees contribute a portion of earnings to the plan and have choices in investment management.</p> <p><b>Source:</b> Estimated Private Wage and Salary Worker Participation rates Under Primary and Supplemental Pension Plan, 1998-1999; Office of Policy and Research, Pension and Welfare Benefits Administration, U.S. Department of Labor</p>
5	<b>Economic Conditions in Developing and Transitional Nations</b>	<p><b>Explanation:</b> Represents the percent change from the previous calendar year in Gross Domestic Product (GDP) of developing and transitional countries.</p> <p><b>Source:</b> <u>World Economic Outlook Report</u>. International Monetary Fund</p>

---

Department of the Treasury – FY 2000 Program Performance Report

---

Fig.	Title	Explanation / Source
6	<b>Unmet U.S. Commitments (Arrears) to Multilateral Development Banks</b>	<p><b>Explanation:</b> Shows the remaining unpaid commitments or overdue amounts the U.S. owes the Multilateral Development Banks, such as the World Bank.</p> <p><b>Source:</b> Office of the Under Secretary for International Affairs, U.S. Department of the Treasury</p>
7	<b>Real Global GDP Growth</b>	<p><b>Explanation:</b> Represents world economic growth measured by the percent change from the previous calendar year in global Gross Domestic Product (GDP).</p> <p><b>Source:</b> World Economic Outlook Report, International Monetary Fund</p>
8	<b>Value of U. S. Exports</b>	<p><b>Explanation:</b> The figure represents the total amount of goods and services imported and exported, into and out of the United States.</p> <p><b>Source:</b> Office of Trade and Economic Analysis, International Trade Administration, U.S. Department of Commerce. Compiled from official statistics of the U.S. Department of Commerce</p>
9	<b>Compliance Rates</b>	<p><b>Explanation:</b> Data represents the U.S. Customs Service estimated rate of compliance with U.S. trade laws for goods (merchandise) imported into the U.S. These estimates are based on intensive examination of random samples of merchandise entering the U.S.</p> <p><b>Source:</b> The Compliance Measurement (CM) is a statistical survey of import transactions designed to collect objective compliance and related information. For each fiscal year, a stratified random sample of import transactions is taken from the universe of all import transactions to the United States. The CM universe consists of two separate segments of import transactions: those transactions submitted to Customs through the Automated Commercial System (ACS) and those transactions submitted through Line Release.</p>
10	<b>U.S. Direct Investment Abroad and Foreign Investments in U.S.</b>	<p><b>Explanation:</b> Direct investments, rather than portfolio or stock investments, are those in which an individual or business buys or holds over 10 percent of the equity in a firm.</p> <p><b>Source:</b> Bureau of Economic Analysis, U.S. Department of Commerce</p>
11	<b>U.S. Customs Revenue Compliance Rate</b>	<p><b>Explanation:</b> The percent of the total import revenue due to Customs that is actually collected.</p> <p><b>Source:</b> The Total Net Underpayment (i.e., Revenue Gap) was estimated from a compliance measurement sample based on the information on changes in duty, fee, and tax payments collected during CM examinations and reviews. The Customs operation provides Total Payment of duties, fees and taxes for Consumption entries. The Revenue Collection Compliance Rate was calculated in terms of the Total Net Underpayment as percentage of the Sum of Total Payment and Total Net Underpayment.</p>



---

Department of the Treasury -- FY 2000 Program Performance Report

---

Fig.	Title	Explanation / Source
12	<b>Federal Non-Tax Delinquent Debt</b>	<p><b>Explanation:</b> This chart is a reflection of the total debt each fiscal year that is delinquent (over 180 days old) and the total delinquent non-tax debt that accumulates after collections. This information is gathered from Federal agencies that refer this debt to Treasury for collection.</p> <p><b>Source:</b> The DCIA Performance Summary Report, published monthly. These data are gathered from FMS' many accounting systems that serve to show the ways that FMS collects delinquent debt. This information is managed by the FMS Debt Management Center in Birmingham, AL. Also, creditor agency reports (Federal agencies who refer delinquent debt) showing the amount of delinquent debt that is eligible for collection. These reports from agencies are published in the "Treasury Report on Receivables" from the Alabama Center. The information is usually found publicly in the "Federal Financial Management Status Report and Five-Year Plan," although the FY 1999 data was not included in the FY 2000 report.</p>
13	<b>Payments by Check and EFT</b>	<p><b>Explanation:</b> This chart shows the trends in Electronic Funds Transfer (EFT) payments and check payments over the past several years.</p> <p><b>Source:</b> Financial Management Service's Production Reporting System (PRS) captures this data. Treasury's Performance Reporting System (PRS) also contains these data</p>
14	<b>Audit Opinions of CFO Act Agencies</b>	<p><b>Explanation:</b> This chart shows improvement of audited financial statements for the 24 CFO Act agencies over the past few years. Three areas of the audit are depicted: timeliness, clean audits, and number of disclaimers.</p> <p><b>Source:</b> "Financial Report of the United States Government," published by Treasury's Financial Management Service</p>
15	<b>Federal Trust and Investment Fund Percentages (by dollar)</b>	<p><b>Explanation:</b> The chart shows the percentages of the total dollars of Federal investment funds that are held by the major categories of trust funds.</p> <p><b>Source:</b> Outstanding amounts of Investment Funds are reported in Table III (Detail of Treasury Securities Outstanding) of the Monthly Statement of the Public Debt (statement dated January 2001 used)</p>
16	<b>BEP Productivity</b>	<p><b>Explanation:</b> The productivity index measures operational output as compared to personnel resource input, to arrive at the number of units produced per workyear. The number of units produced per workyear is compared to the previous year. The change (increase/decrease) in productivity from the prior year is expressed as a percentage.</p> <p><b>Source:</b> Production output data is collected through BEP's product accountability system. Work-year data is collected from payroll reports generated by the Department of Agriculture's National Finance Center. Productivity measures are also reported in BEP's CFO Annual Report. The data for this measure are also reported in Treasury's PRS.</p>

Fig.	Title	Explanation / Source
17	<b>U.S. Mint Productivity</b>	<p><b>Explanation:</b> Productivity is measured as number of clad coins produced per payroll dollar.</p> <p><b>Source:</b> U.S. Mint internal accounting records. Production and payroll reports are maintained on file at the U.S. Mint (internal use only)</p>
18	<b>Counterfeit Dollars in Circulation</b>	<p><b>Explanation:</b> Figure shows the proportion of counterfeit currency relative to the amount of genuine U.S. Currency in circulation. <i>Counterfeit Passed per Million Dollars of Genuine U.S. Currency</i> is calculated by dividing the dollar value of counterfeit notes passed on the public by the dollar value of genuine currency in circulation, multiplied by \$1 million.</p> <p><b>Source:</b> Estimate of actual legitimate currency in circulation obtained from <u>U.S. Currency and Coins Outstanding and in Circulation Report</u> provided on monthly basis from the Financial Management Service. Counterfeit dollars in circulation derived from notes passed on the public and obtained during the conduct of an investigation as well as notes identified by the Federal Reserve.</p>
19	<b>Value of Monetary Instruments Seized by Customs</b>	<p><b>Explanation:</b> Value of all forms of monetary instruments seized within the territorial jurisdiction of the United States by or with the participation of Customs officers.</p> <p><b>Source:</b> This data is captured directly from automated on-line reports in the Treasury Enforcement Communications Systems (TECS). These reports are compiled on the basis of seizure information entered into TECS. The seizure reports are completed by Customs officers and reviewed/approved by their supervisors. Periodically, seizure data is reviewed by Customs analysts for anomalies.</p>
20	<b>Percentage of U.S. Population Using Illegal Drugs</b>	<p><b>Explanation:</b> Any illicit drug use indicates use, at least once, of marijuana/hashish, cocaine (including crack), inhalants, hallucinogens (including PCP and LSD), heroin, or any prescription-type psychotherapeutic used non-medically.</p> <p><b>Source:</b> 1999 National Household Survey on Drug Abuse. (A survey on illicit drug use.) Substance Abuse and Mental Health Services Administration, U.S. Department of Health and Human Services.</p>

---

Department of the Treasury -- FY 2000 Program Performance Report

---

Fig.	Title	Explanation / Source
21	<b>Customs Targeting Efficiency</b>	<p><b>Explanation:</b> An estimate of how efficiently Customs selects air passengers and vehicles for inspection. A comparison of the number of violations found during targeted selective examinations to a random sample.</p> <p><b>Source:</b> This measure is collected as part of the Compliance Measurement program that is based on a statistically valid examination of a random sample of air passengers and vehicles. Category 1 and Category 2 violations are recorded in the Treasury Enforcement Communications System (TECS) database and collected at the time of input of seizure and arrest reports. This information compared to the detection of violations as a result of random selection measures the targeting efficiency. The data elements are collected through the TECS, Advance Passenger Information System (APIS) and the Measurement Data Entry System and they are presented in the Operation Management Report Data Warehouse.</p>
22	<b>Convictions Against Members of Drug Smuggling Organizations</b>	<p><b>Explanation:</b> Actual convictions against members of drug smuggling organizations.</p> <p><b>Source:</b> Organized Crime Drug Enforcement Executive Office, Criminal Division, U.S. Department of Justice</p>
23	<b>Violent Crimes Committed in U.S.</b>	<p><b>Explanation:</b> For the report, violent crime is defined as murder and non-negligent manslaughter, forcible rape, robbery and aggravated assault.</p> <p><b>Source:</b> <u>1999 Uniform Crime Report</u>. Federal Bureau of Investigation, U.S. Department of Justice</p>
24	<b>Crimes Committed with Firearms in U.S.</b>	<p><b>Explanation:</b> This reports the number of murders, robberies, and aggravated assaults in which firearms were used.</p> <p><b>Source:</b> Bureau of Justice Statistics, U.S. Department of Justice</p>
25	<b>Terrorist Incidents in U.S.</b>	<p><b>Explanation:</b> A terrorist incident is a violent act or an act dangerous to human life in violation of the criminal laws of the U.S. intended to intimidate or coerce a government, the civilian population, or any segment thereof.</p> <p><b>Source:</b> <u>Report on Terrorism in the United States</u>. Counterterrorism Threat Assessment and Warning Unit, Counterterrorism Division, Federal Bureau of Investigations, U.S. Department of Justice</p>

---

Department of the Treasury – FY 2000 Program Performance Report

---

Fig.	Title	Explanation / Source
26	<b>Terrorist Incidents Prevented in U.S.</b>	<p><b>Explanation:</b> A terrorism prevention is a documented instance in which a violent act by a known or suspected terrorist group or individual with the means and a proven propensity for violence is successfully interdicted through investigative activity.</p> <p><b>Source:</b> <u>Report on Terrorism in the United States</u>. Counterterrorism Threat Assessment and Warning Unit, Counterterrorism Division, Federal Bureau of Investigations, U.S. Department of Justice</p>
27	<b>ATF Fire Investigations</b>	<p><b>Explanation:</b> This represents the number of fires that the Bureau of Alcohol, Tobacco and Firearms has been asked to investigate where evidence was found that suggests the fire was deliberately set.</p> <p><b>Source:</b> The Arson and Explosives National Repository (AEXIS) provides statistical fire and explosive information based on data collected from the ATF, the Federal Bureau of Investigation, and the U.S. Fire Administration.</p>
28	<b>ATF Response to Fatal Bombing Incidents</b>	<p><b>Explanation:</b> This represents the number of fatal bombing incidents reported and the ATF response rate to fatal bombing incidents.</p> <p><b>Source:</b> The Arson and Explosives National Repository (AEXIS) provides statistical fire and explosive information based on data collected from the ATF, the Federal Bureau of Investigation, and the U.S. Fire Administration.</p>
29	<b>Students Trained at the FLETC</b>	<p><b>Explanation:</b> The data is captured by the Student Information System, which is an automated registration system.</p> <p><b>Source:</b> The Federal Law Enforcement Training Center</p>
30	<b>New Hire Education Level</b>	<p><b>Explanation:</b> These data reflect, by fiscal year, the new hires across all Treasury bureaus that possessed at the time of hire at least one college degree at the bachelor's level or master's or above level, expressed as a percentage of all new hires.</p> <p><b>Source:</b> Treasury Integrated Management Information System (Personnel Database)</p>
31	<b>Losses of "Outstanding" Employees</b>	<p><b>Explanation:</b> These data reflect, by fiscal year, the losses across all Treasury bureaus of personnel that were rated as "outstanding" (or equivalent) for their last performance appraisal of record, expressed as a percentage of all losses.</p> <p><b>Source:</b> Treasury Integrated Management Information System (Personnel Database)</p>

---

Department of the Treasury -- FY 2000 Program Performance Report

---

Fig.	Title	Explanation / Source
32	<b>Minority Representation Treasury vs. Civilian Labor Force (1990)</b>	<p><b>Explanation:</b> This data presents the percentage of minorities (defined as Black, Hispanic, Asian American/Pacific Islander, American Indian/Alaskan Native) that are represented in the total Treasury workforce as compared to those represented in the total civilian workforce (from 1990 data).</p> <p><b>Source:</b> Treasury data is compiled by the Treasury Integrated Management Information Systems office. Civilian workforce data is obtained from the Department of Labor, Bureau of Labor Statistics. The most recent civilian labor force data is based on the 1990 census.</p>
33	<b>Minority Representation Total vs. GS 13/15 and SES</b>	<p><b>Explanation:</b> This data presents the percentage of minorities represented in the total Treasury workforce, represented in the total number of senior staff at GS-13-15 grades, and represented in the total number of Senior Executive Service personnel at Treasury.</p> <p><b>Source:</b> Data is compiled by the Treasury Integrated Management Information Systems office</p>
34	<b>Minority Representation Percent of Total vs. Promotion Rates</b>	<p><b>Explanation:</b> This data presents the promotion rate percentage for minorities at Treasury compared to the promotion rates of minorities at Treasury.</p> <p><b>Source:</b> Treasury data is compiled by the Treasury Integrated Management Information Systems office</p>
35	<b>Material Weaknesses Outstanding</b>	<p><b>Explanation:</b> These data reflect, by fiscal year and for all Treasury bureaus, the number of material weaknesses remaining to be corrected as of the end of the fiscal year. Material weaknesses are significant problems with an organization's systems' reliability; controls on waste, fraud or abuse; mission performance; and/or compliance with laws and regulations.</p> <p><b>Source:</b> Treasury's Office of Accounting and Internal Control</p>
36	<b>Competition in Contracting</b>	<p><b>Explanation:</b> It is Treasury policy that all supplies and services be acquired using full and open competition. Successful implementation of this policy is the shared responsibility of all involved in an acquisition action. The data reflects the amount of full and open competition received on Treasury actions as compared to the total procurement dollars spent.</p> <p><b>Source:</b> Federal and Treasury Procurement Data Systems</p>

## Appendix C: Program Evaluations

Program evaluations can be categorized as:

- Impact/outcome evaluations which assess the manner and extent to which Federal programs achieve intended objectives.
- Process/efficiency evaluations which assess the extent to which a program is operating in a cost-effective manner and in conformance with statutory requirements and operating policies and procedures.

An example of an impact/outcome evaluations conducted in FY 2000 relates to:

- *Customs' Automated Commercial System (ACS) Cargo Selectivity:* The ACS Cargo Selectivity Program was created to facilitate the processing of legitimate cargo while attempting to stop fraud, narcotics smuggling, and the entrance of illegal cargo. A Treasury Office of Inspector General (OIG) audit found that trade has been facilitated by limiting cargo examinations to targeted shipments; however, selectivity has not been as successful in stopping the smuggling of narcotics.

Specifically, ACS Cargo Selectivity's effectiveness in targeting high-risk shipments for examinations could be improved by developing better targeting criteria. This could be accomplished by establishing local accountability for tasks such as developing and maintaining an up-to-date narcotics criteria database, obtaining and sharing proactive intelligence more freely among the Customs disciplines, and providing additional training in data analysis and research techniques for persons working with criteria. Also, targeting effectiveness was hindered by the practice of overriding examination criteria unnecessarily, which led to releasing a significant number of targeted shipments without examination. Although the OIG found no instance of fraud, this practice along with inadequate performance of cargo examinations and in accurate reporting of results, could mask lent activities. These conditions applied equally to the examination of hazardous material, where the OIG found examination teams in need of training and equipment in need of maintenance, repair, or replacement.

Useful performance measures were needed to determine the exact cause for the low seizure rate when using ACS Cargo Selectivity criteria. Also, periodic management reviews did not provide sufficient coverage to identify operational weaknesses in the ACS Cargo Selectivity Program. For example, reviews did not cover controls over the use of examination overrides or the physical processing of cargo. Weaknesses in these areas can undermine the effectiveness of targeting efforts.

The OIG made eight recommendations to improve the effectiveness of the ACS Cargo Selectivity Program. These included the development of narcotics examination criteria, the improvement of examination procedures, and the implementation of management controls. Customs agreed with these findings and recommendations, and has initiated corrective actions. (Report No. OIG-00-066, 3/6/00)

Examples of process/efficiency evaluations conducted in FY 2000 include:

- *Excess Collections:* When a payment cannot be associated with a taxpayer's account or a tax return is not filed, the IRS will, after meeting processing requirements, transfer the payment to its Excess Collections Accounts. Payments in Excess Collections also include unidentified remittances (where the identities of taxpayers are unknown), miscellaneous fees, and voluntary contributions.

The Treasury Inspector General for Tax Administration found that taxpayers do not always receive credit for certain tax payments, due to the IRS' computing systems limitations and processing procedures, and legal requirements (Report #2000-30-088, 6/13/00). The OIG identified millions of dollars that needed to be credited to taxpayers' accounts, as well as an opportunity for reducing processing costs while improving customer service.

IRS management agreed with the recommendations in the report and quickly began actions to improve the process for managing Excess Collections Accounts. The IRS, using a Treasury Inspector General for Tax Administration-developed database, established an adjustment program to ensure that eligible taxpayers had payments in Excess Collections files transferred to their primary accounts. They also planned to make significant modifications to their information systems.

- *ATF's Youth Crime Gun Interdiction Initiative:* In July 1996, ATF initiated the Youth Crime Gun Interdiction Initiative (YCGII) to strengthen enforcement efforts against gun traffickers who supply firearms to juveniles. During FY 2000, the Treasury OIG completed three audits related to YCGII. The first audit focused on ATF's redesign of its Firearms Tracing System and found that while the system generally is meeting user needs, the conversion did not take place in the most efficient manner. The second audit evaluated ATF's procedures and controls over YCGII funds and found that certain obligations and expenditures were not used efficiently and may not have supported YCGII activities.

Most significantly, the third audit looked at ATF's implementation of the YCGII program. The OIG found that ATF field offices responsible for implementing YCGII in the first 17 cities to participate in the program have not consistently performed important program activities, such as ensuring that the cities submit trace requests for all firearms recovered in crimes. Also, ATF has not ensured that appropriate special agent resources were available in field offices to conduct YCGII-related activities. Certain police departments were either not familiar with, or did not avail themselves of ATF's analytical tools to help target firearms traffickers for investigation. Finally, ATF has not developed specific performance measures that show the actual impact on youth violent crime in the cities as a result of participating in YCGII (Report Nos. OIG-00-087, 5/30/00; OIG-00-093, 6/16/00; OIG-00-119, 8/21/00).

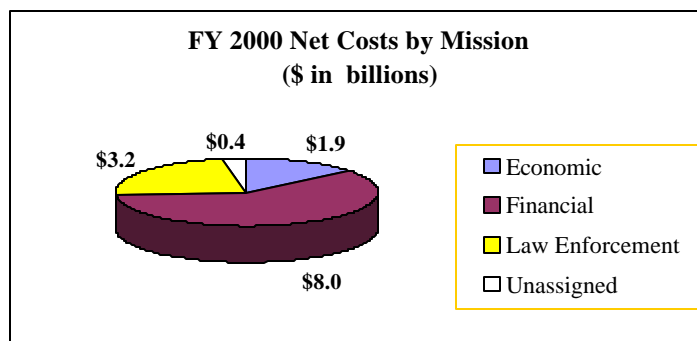
ATF generally agreed with the OIG's recommendations and has initiated or planned actions to address the recommendations.

- *Investigations of Financial Institutions Fraud:* In the late 1980s and early 1990s, bank insiders primarily committed fraudulent schemes against financial institutions. Today, check fraud and counterfeit negotiable instrument schemes by outsiders are the most prevalent crime trend confronting the Nation's banking infrastructure. Estimates of losses resulting from financial institutions fraud (FIF) are as high as \$15 billion a year. Electronic banking, which is anticipated to increase 600% in the next two years, has created new opportunities for high technology fraud against financial institutions.

Treasury's OIG evaluated the impact of the Secret Service's financial institution fraud investigations (Report #OIG-00-070; 3/20/2000). The evaluation found that the Service's FIF cases have resulted in increased prosecutions in State and Federal courts and disrupted some major schemes to defraud banks. Findings also revealed that (i) certain actions could strengthen efforts to investigate the most significant violations, (ii) performance measurements and reporting needs improvement, and (iii) communication with specific outside parties could be enhanced. The Service generally agreed with the OIG recommendations and plans to implement them.

## Appendix D: Net Cost to Accomplish Treasury’s Strategic Missions

Measuring *costs* (the value of resources used to achieve an objective) is an integral part of measuring performance. When cost information is linked to measures of effectiveness in achieving a desired outcome or stated objective, readers can assess the “cost-effectiveness” of a program. *Net cost* refers to the program’s total costs (including supporting services) minus the revenues the program earns.



The combined total net cost of Treasury’s business in FY 2000 was \$13.5 billion, as reported in Treasury’s financial Statement of Net Cost in the FY 2000 Accountability Report. This statement and supporting information display the full costs of programs carried out by the Treasury Department to meet the three strategic missions described in Treasury’s Strategic Plan: Economic, Financial, and Law Enforcement. The report also displays costs by bureau, office or organization within the three mission areas. Costs that could not be assigned to program areas are shown separately.

The largest proportion of costs goes to *Manage the Government’s Finances* (the Financial mission) and accounts for \$16 billion in total costs, of which \$8.3 billion was for the revenue activities of the IRS. Total costs were offset by \$8 billion in earned revenues, principally \$3.4 billion from the Federal Financing Bank and another \$3.7 billion in revenues earned by the U.S. Mint. Net cost for this mission was \$8 billion.

To *Safeguard our Financial Systems, Protect Our Nation’s Leaders, and Secure a Safe and Drug-Free America* (the Law Enforcement mission), our total costs were \$3.4 billion. The largest law enforcement costs were approximately \$1 billion each for the U.S. Customs Service and the U.S. Secret Service, \$.6 billion for IRS law enforcement and \$.5 billion for the Bureau of Alcohol, Tobacco and Firearms. The net cost for this mission was \$3.2 billion.

Total costs to *Promote Prosperous and Stable American and World Economies* (the Economic mission) were \$4.1 billion. Of this amount, \$1.4 billion went to Treasury International Assistance Programs. The \$1.9 billion total costs for the Exchange Stabilization Fund were offset by earned revenues of \$1.6 billion. Of the \$550 million total costs for the banking regulatory agencies (Office of the Comptroller of the Currency and Office of Thrift Supervision), all but \$5 million were offset by earned revenues. Net cost for this mission was \$1.9 billion.

Although bureaus allocated most of their management and general administrative costs to programs within the three mission areas, approximately \$400 million in net costs are displayed as *Costs Not Assigned to Programs*. These unassigned costs, which could not be reasonably allocated to a program area, are principally for the Treasury Inspector General, Treasury Inspector General for Tax Administration, and the Departmental Offices’ Working Capital Fund.



**Combined Net Costs by Treasury Mission**  
**(\$ in millions)**

	FY 1998	FY 1999	FY 2000
<b>Economic Mission</b>			
Total Costs	\$2,932	\$2,478	\$4,063
Less Earned Revenues	-2,054	-3,618	-2,138
Net costs, Economic mission	\$878	-\$1,140	\$1,925
<b>Financial Mission</b>			
Total Costs	\$16,363	\$16,960	\$15,897
Less Earned Revenues	-6,892	-6,922	-7,928
Net costs, Financial Mission	\$9,471	\$10,038	\$7,969
<b>Law Enforcement Mission</b>			
Total Costs	\$2,060	\$2,975	\$3,352
Less Earned Revenues	-82	-83	-177
Net costs, Law Enforcement	\$1,978	\$2,892	\$3,175
<b>Costs not assigned to programs</b>			
Total Costs	\$1,478	\$1,104	\$984
Less Earned Revenues	-725	-743	-603
Net costs, Unassigned	\$753	\$361	\$381
<b>Combined Total, Treasury</b>			
Total Costs	\$22,833	\$23,517	\$24,296
Less Earned Revenues	-9,753	-11,366	-10,846
Net costs, Treasury	\$13,080	\$12,151	\$13,450